

Postal Regulatory Commission

10 Year Rate System Review

Docket RM2017-3

Written Statement for the Record

February 3, 2020



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On behalf of the Association of Fundraising Professionals (AFP), we are writing to urge you to not implement above-Consumer Price Index (CPI) price increases, which could be devastating to nonprofits that utilize the nonprofit mailing rate.

AFP is the largest association of charitable fundraisers in the world. In the U.S., we represent over 30,000 individuals and organizations in all 50 states, representing every cause imaginable. Our members help to raise approximately \$115 billion annually, which represents more than one-fourth of all giving that takes place in the U.S.

The enactment of the Postal Accountability and Enhancement Act (PAEA) at the end of 2006 provided an important protection, as well as price predictability, for customers who purchase the U.S. Postal Service's monopoly products by implementing the CPI-based price cap. The Postal Regulatory Commission (PRC) only has the authority to allow rates to be adjusted above the price cap under "extraordinary or exceptional" circumstances, and only if it deems the rate changes to be reasonable, equitable, and necessary to maintain the quality of postal services. The CPI-based price cap serves as a safeguard for all users of market dominant rates and classes, including nonprofit mailers, from exorbitant postal price hikes.

In December 2017, as part of the PAEA's mandated ten-year review of the rates and classes for market dominant products, the PRC issued its first proposed changes to the system, which would have allowed the U.S. Postal Service to charge above-inflation price increases on market dominant mail every year for five years. That first proposal would have been harmful to nonprofit mailers by increasing rates well above inflation. Many of our nonprofit colleagues wrote in opposition to the proposal, and the sector was grateful when that proposal was not enacted.

However, we believe that the second proposal issued by the PRC on December 5, 2019 will be even more harmful to nonprofit mailers than the proposal previously issued in 2017.

This 2019 proposal, similar to the 2017 proposal, would authorize the Postal Service to charge mailers above-CPI price increases for market-dominant products.

However, the 2019 proposal goes far beyond the 2017 proposal. It would undermine and fundamentally modify the ratemaking system established in PAEA and would seriously threaten nonprofit mailers with rates much higher than inflation. The 2019 proposal would permit the Postal Service to adjust the prices for each class of market dominant mail based on:

- Changes to the Consumer Price Index and
- A proposed supplemental rate authority mechanism based on declines in mail density and statutorily mandated amortization payments for particular retirement costs.

The 2019 proposal adjusts the performance-based authority to retain the 1 percentage point of rate authority benchmark, but modifies how the specific performance-based requirements for operational efficiency and service will be measured. In addition, the Postal Service would be required to charge an additional two percentage points of pricing authority for mail products that do not cover their costs, such as flat-shaped marketing mail. If an entire class of mail does not collectively cover its costs (i.e., periodicals), this additional two-percent pricing authority will be optional rather than mandatory.

We estimate that the rate hikes will range from 25 percent to 40 percent (or more) over five years as a result of this proposal. These hikes will be incredibly impactful because mail continues to be the most significant vehicle for charitable giving in the U.S. While online fundraising continues to receive considerable media attention, it still only accounts for roughly eight (8) percent of all charitable giving in our country. A large majority of nonprofits rely upon mail for the majority of their fundraising.

With nearly all charities working with a limited, fixed budget each year, any increases in postage will force these nonprofits to reduce their mailings, which would have a devastating impact on the missions and communities served by those nonprofits.

For these reasons, AFP strongly urges the Postal Regulatory Commission to reconsider its proposal.